



**JERRY SANDERS**  
MAYOR

To our bondholders:

Over the past four years, the City of San Diego has enacted a number of important reforms intended to ensure its financial stability and to warrant the trust and confidence of its bondholders. These have included reforms that are reducing, and will continue to reduce, public obligations to our employment and post-employment benefits.

In cities across America there has been speculation about municipal bankruptcy as a potential tool for shedding previously assumed financial obligations, including vested employee pension benefits. Rating agencies have expressed concern over this speculation.

We in San Diego have seen our share of this speculation, sometimes posed as a cost-reducing strategy of last resort, but never with the support of my office or the city's financial management team.

In fact, my opposition to municipal bankruptcy for San Diego has never been stronger, and I do not believe there is a credible argument that has been made, or can be made, on its behalf.

Recently the city attorney, Jan I. Goldsmith, publicly advised the City Council and citizenry that municipal bankruptcy is not an effective option for the City of San Diego.

This advice was discussed in a speech to the San Diego County Taxpayers Association that has been broadly disseminated throughout San Diego. Video of the City Attorney's speech is accessible on his webpage. (<http://www.sandiego.gov/cityattorney/>)

San Diego's leadership is committed to addressing our financial challenges through responsible and substantive initiatives that reduce public liabilities while ensuring our long-term financial strength and stability.

JERRY SANDERS  
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